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SUBJECT: FIRST TIFA COUNCIL MEETING IN KIGALI

¶1. (U) Summary. Deputy United States Trade Representative Ambassador Karan Bhatia led the USG delegation to the first-ever Trade and Investment Council Meeting held in Kigali on October 31. Discussions covered such topics as the WTO DOHA round of negotiations, AGOA and bilateral trade, trade capacity building, investment promotion, and infrastructure. Bhatia and the Rwandan delegation head, Commerce Minister Protais Mitali, agreed upon a 15-point workplan, and issued a communique which expressed firm intentions to intensify cooperation, including quarterly reviews of progress on the Work Plan, the hosting of an AGOA national workshop in Kigali in early 2007, and preliminary discussions on a possible Bilateral Investment Treaty. (Note: Work Plan and Communique are attached at end of this cable). End Summary.

¶2. (U) Ambassador Bhatia, accompanied by AUSTR for Africa Florie Liser, AUSTR for Trade Capacity Building Mary Ryckman and other USTR personnel, and joined by Ambassador Arietti, USAID Director Mullally and other embassy and regionally-based USDA and USAID officers, met with the Rwandan delegation for a full day of discussion in Kigali. Minister Mitali was accompanied by the Rwandan Ministers or Ministers of State for Energy, Agriculture, Lands and Environment, Industry and Investment Promotion, and Foreign Affairs and Cooperation, two Presidential Advisors (Great Lakes Envoy Ambassador Sezibera and NEPAD/MCC Advisor Francis Gatare) as well as officers of various governmental and business entities, including the Rwandan Investment and Export Promotion Agency (RIEPA), the Rwanda Private Sector Federation, the Rwanda Bureau of Standards, and the Rwanda Environmental Management Agency.

¶3. (U) The two delegations initially reviewed the proposed Work Plan, including such items as identification of trade barriers, improved customs procedures, consultation on AGOA implementation, protection of intellectual property rights, a strengthened financial sector, and capacity building. The two sides agreed that the Work Plan as approved should be a dynamic and flexible document, to be refined and updated as circumstances dictated.

¶4. (U) The delegations then examined the WTO Doha negotiations, with Ambassador Bhatia expressing USG commitment to an ambitious, market-opening outcome, including in the area of agriculture. The Rwandan delegation

pledged continued support for a reinvigorated Doha process and flexibility on all sides, and also indicated its support for the USG position on the sectoral on drugs and medical devices.

15. (U) Regarding AGOA and bilateral trade, the Rwandan delegation conveyed its continuing efforts to increase the small level of AGOA trade, noting several obstacles: limited production capacity, high transport costs, uncertain energy supplies, and capacity limitations regarding standards and required documentation. Some successes were noted, particularly the sale of 200,000 baskets to Macy's and the development of the specialty coffee sector (NB: the delegation had an excellent trip to a coffee-washing station outside Kigali to see processing of coffee now being exported to the U.S. market). The USG delegation urged intensified effort toward export diversification and targeted value addition, and offered the U.S. organics market as a possible opportunity. Value-added products such as leather, jewelry and essential oils appeared to be possible areas for export development.

16. (U) On trade capacity, the Rwandan delegation noted ongoing constraints, including outdated legal and regulatory frameworks, an over-reliance on subsistence agriculture, limited access to capital, and the low volume and low value of the limited number of export products Rwanda produces. The USG delegation offered continued and focused collaboration on Rwanda's financial sector, regional integration of markets, identification of niche markets and appropriate products for the U.S. market, and assistance with skills development and standards upgrades.

17. (U) In assessing the business environment, RIEPA Director General Nkurunziza offered a spirited and ambitious reform agenda with a pro-private sector emphasis, including reform of RIEPA itself, a streamlined fee schedule for customs and warehousing clearance, labor law reform, the setting-up of commercial courts, a strengthened arbitration center, a new Commercial Registration Agency to assist with new business registration, new business laws almost completed, reform of the IPR regime, and a continued commitment to privatization. He offered Rwanda's vision of itself as a future regional services and trading center, serving a growing regional population with Rwanda as a hub for investment, transport and communications. Ambassador Bhatia replied that a "gold standard" investment regime, such as that offered by the possible US-Rwanda Bilateral Investment Treaty (BIT), was key to attracting investment to Rwanda, and would help to ensure such things as free flow of capital and clear arbitration rules for disputes. He noted that investment negotiators from State and USTR would be conducting exploratory discussions on a BIT with Rwandan counterparts on November 1-2. Ambassador Arietti added that while Rwanda had clearly adopted a reform agenda, it must not measure itself simply according to its own past performance, but rather as compared to the reform efforts of its regional competitors. You may be improving, he said, but you must assess whether or not your neighbors are improving faster and more comprehensively.

18. (U) In a brief discussion of governance issues and Millenium Challenge Corporation assessment of GOR progress, Ambassador Sezibera announced the recent creation of a Governance Advisory Council, composed of representatives from public, private, civil society and faith-based organizations, to assist the GOR in expanding political space and reviewing its performance.

19. (U) Finally, on infrastructure, the Rwandan delegation offered a balanced presentation of current limitations and opportunities within various sectors, noting the possibility for investment and growth in the energy, IT and transport areas. The delegation discussed at some length its plans for a second international airport, as well as new roads, a possible rail link to western Tanzania, and hydro and thermal power plant possibilities. We are ambitious, said Lands and Environment Minister Bazivamo, but we are realistic. AUSTRLiser welcomed the Rwandan delegation's presentation,

replying that Rwanda must make focused choices on infrastructure projects, and appeared prepared to do so.

¶10. (U) As a summary of the day's discussions from the USG side, Ambassador Bhatia noted approximately a dozen points of agreement and/or follow-on activities, including:
--quarterly review of the Work Plan by Bhatia and Mitali
--an early 2007 AGOA workshop in Kigali
--a visit from the East and Central Africa Global Competitiveness Hub before the end of the year to discuss AGOA Category 9 certification (for handloomed goods).
--opening discussions on a possible Bilateral Investment Treaty
--identification of USTR Africa Director William Jackson and RIEPA Director General Williams Nkurunziza as POCs for TIFA matters.
--continual consultations aimed at advancing the Doha negotiations and, specifically, the NAMA drugs and devices sectoral.

¶11. (SBU) Comment. The breadth of participation (several dozen senior Rwandan officials in attendance) and focused presentations by the Rwandan side impressed us. Their clear-eyed vision of Rwanda, small, rural, and far from established trading hubs, but possessed of strategic outlook and a committed government, suggests that it will make the most of the TIFA framework and follow-on activities. End comment.

¶12. (U) Text of Communique:

Communique from the Governments of the United States and the Republic of Rwanda regarding the October 31 Meeting of the U.S.-Rwanda Trade and Investment Council

The first meeting of the U.S.-Rwanda Trade and Investment Council, under the terms of the June 2006 U.S.-Rwanda Trade and Investment Framework Agreement (TIFA), took place in Kigali, Rwanda on October 31, 2006. The meeting was led on the Rwandan side by Minister of Commerce, Industry, Investment Promotion, Tourism, and Cooperatives Protais Mitali and on the U.S. side by Deputy U.S. Trade Representative Karan Bhatia. Each delegation also included representatives from several other trade-related agencies within each respective government.

Among the major agenda items covered during the day-long discussion were the World Trade Organization's Doha Round of global trade negotiations; enhancing Rwanda's use of opportunities available under the African Growth and Opportunity Act (AGOA); trade capacity building assistance; measures to improve the business environment and increase investment flows; ways to enhance U.S.-Rwanda investment; and issues related to trade-related infrastructure.

The two sides agreed on the need to intensify cooperation on means to develop, increase, and diversify U.S.-Rwandan trade.

The two sides will collaborate in developing the program for a U.S.-sponsored AGOA National workshop for Rwanda, to be held in early 2007. They will also deepen consultation on priority trade capacity building activities and on specific measures to improve the business environment and to promote trade linkages between our two private sectors. They confirmed their intent to explore a possible Bilateral Investment Treaty between the two countries and jointly look forward to discussions on this topic to be held in Kigali later this week. They also discussed existing and prospective activities and technical assistance related to improving Rwanda's trade-related infrastructure. Finally, the two sides agreed on the urgent need to breathe new life into the Doha negotiations and to work together toward an ambitious, market-opening outcome that sparks new global trade flows and promotes economic growth and development, especially among developing countries. They agreed on the need to maintain momentum in sectoral negotiations, and Rwanda agreed in particular to undertake its best efforts to support the sectoral on pharmaceuticals and medical devices.

At the outset of the meeting, the two sides agreed on a 15-point workplan to guide ongoing work under the TIFA in the run-up to the next meeting of the Council in approximately one year. They agreed to identify specific action items and establish priorities in the workplan and to develop quarterly status reports on progress on these action items. In general, the two sides agreed to use the TIFA process to coordinate and leverage ongoing as well as future trade- and investment-enhancing initiatives in the two countries.

Both parties agreed that the excellent discussions and subsequent agreement on next steps not only contributed to a very successful first meeting of the U.S.-Rwanda TIFA Council, but laid the groundwork for enhanced U.S.-Rwandan trade and investment under the TIFA as we move forward.

End text.

13. (U). Text of Work Plan:

Workplan for the Trade and Investment Framework Agreement
Between the Government of the United States of America and
the Government of the Republic of Rwanda

The Government of the United States of America and the Government of the Republic of Rwanda will endeavor to work cooperatively on the following priorities under their Trade and Investment Framework Agreement:

1. Developing and implementing government policies that foster increased trade and investment between the two nations;
2. Identifying market entry barriers and jointly working to eliminate them with a view toward increasing trade;
3. Improving customs procedures, enforcement, and trade facilitation;
4. Coordinating and consulting on AGOA implementation, including the encouragement of value-added production and trade diversification;
5. Coordinating and consulting on issues and positions in multilateral trade negotiations, including in the World Trade Organization;
6. Promoting and facilitating private sector contacts and exchanges;
7. Promoting and protecting intellectual property rights;
8. Improving technical regulations and standards, including sanitary and phytosanitary (SPS) measures;
9. Improving regulatory, commercial, competition, labor, and environmental legislation, policy, and enforcement;
10. Strengthening agricultural trade and agribusiness linkages;
11. Developing and strengthening the financial sector and improving access to trade finance, including the promotion and protection of investment and encouraging investment flows;
12. Promoting trade in services, including tourism and ICT;
13. Promoting transparency and working to eliminate bribery and corruption in business transactions;
14. Improving and developing trade-related infrastructure, including transportation and energy.
15. Identifying priority capacity building needs relating to the above items, and furthering efforts to

address those needs.

As agreed at TIFA Council meeting 31 October 2006

End text.

¶14. (U) This cable was cleared by USTR.

ARIETTI